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SUBJECT: CODEL FALEOMAVAEGA DISCUSSES DEBT, TRADE AND
FUTURE RELATIONS WITH CAMBODIAN LEADERSHIP

Classified By: DCM Theodore Allegra for Reasons 1.4 (b) and (d).

¶1. (C) Summary: Following a day in Siem Reap and after attending festivities to mark the 31st anniversary of the January 7 Khmer Rouge "victory" commemoration, Congressman Eni Faleomavaega met with Cambodian Prime Minister Hun Sen and later with Deputy Prime Ministers Hor Namhong and Keat Chhon to discuss U.S.-Cambodia relations. Affirming that relations have strengthened over the years, both sides acknowledged that challenges and misunderstandings remain. PM Hun Sen described Cambodia's USD 162 million debt to the U.S. (approximately USD 352 million with arrears) as a sensitive political topic in Cambodia, and urged the United States to "take a humanitarian view of the issue." Both Deputy Prime Ministers reiterated the request on debt recycling, with DPM Keat Chhon noting public opinion favored debt forgiveness. Commerce Minister Cham Prasidh made a pitch for duty-free access to the U.S. for Cambodian garments made under a good labor regime. Faleomavaega stated that he is committed to looking into the debt further, and indicated that he would emphasize to his colleagues in Washington the need to reinvest the debt into areas such as education and child welfare. The CODEL also acknowledged that there is merit to Cambodia being considered on the same footing as AGOA countries on garments. PM Hun Sen stated that President Obama's participation at the ASEAN summit was positive for regional relations. Bilaterally, Hun Sen expressed appreciation for American assistance in the areas of health, demining, the Khmer Rouge Tribunal (KRT), and education, specifically praising the Peace Corps program. Noting that there is no stopping China, DPM Hor Namhong stressed the importance of the U.S. presence in Asia and praised President Obama's new vision and enhanced engagement in the region. End Summary.

PM Hun Sen Requests Debt Assistance

¶2. (C) Acknowledging that the debt to the U.S. is a "state inheritance which we have to recognize," PM Hun Sen indicated that the debt incurred by the Lon Nol regime in the 1970's is not only about money, but is also a sensitive political issue. PM Hun Sen compared the Cambodian government's predicament to that of being "squeezed by pliers - on the one side is the U.S. (the owner of the debt), and on the other side are the victims of a coup supported by the U.S." Had the money been used to build bridges, PM Hun Sen stated he could rationalize to the people the need to repay it. However, since it was used to "support a regime with disastrous results," asking approval from the National Assembly and the people to repay it would be a "real political risk." Instead, he requested that the U.S. consider the debt repayment be returned to Cambodia through development aid as "medicine to heal the wound rather than a stick to stir it." Congressmen Faleomavaega and accompanying Representatives Mike Honda and Joseph Cao agreed to discuss

the issue with their colleagues in Washington and stated that they believe the best outcome would be one in which the money is used to benefit Cambodians, especially the youth, in areas such as education and global warming.

Challenges and Successes

13. (C) Indicating that he intended to "not speak diplomatically" but to "speak the truth," PM Hun Sen asked, "Why is it so hard to be a friend to America?" He stated that it is not Cambodians who misunderstand the U.S., but that some politicians in America wear "glasses that distort the picture" of Cambodia. Although America previously dropped bombs on Cambodia, PM Hun Sen pointed out that Cambodia has provided assistance to the U.S. in the area of accounting for MIA soldiers since 1983, before diplomatic relations were established. Congressman Honda agreed that the U.S. has an obligation to clear explosive remnants of war, and indicated he will push for and support programs which will leave the land free from danger.

14. (C) PM Hun Sen praised the recent improvement in SE Asia-U.S. relations, indicating that President Obama's first participation in ASEAN was a "very positive sign" for the region. He stated that he respects the new policy toward Burma, which previously had been an obstacle to improved relations. PM Hun Sen then expressed his pleasure at the growth in relations between the U.S. and Cambodia over the past decade in the areas of health, education, support for the Khmer Rouge Tribunal (KRT), and demining. He highlighted the good work of the Peace Corps volunteers, a program which

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both Congressman Faleomavaega and Honda stated they would like to see increased. PM Hun Sen relayed that five of his children (including spouses), and five of his grandchildren have been educated in the U.S. and believed relations could be strengthened even further if more Cambodians could be educated in the United States. The meeting ended on a high note, with PM Hun Sen and the Congressmen agreeing that the focus should be on the youth - to rely on the younger generation of Americans and Cambodians to study together and know one another so they are "not conservative like us."

Hor Namhong Hosts Lunch with Commerce, Finance Ministers

15. (SBU) Chairman Faleomavaega summarized the delegation's discussion of the bilateral debt with the Prime Minister during a luncheon hosted by Deputy Prime Minister and Minister of Foreign Affairs and International Cooperation Hor Namhong, which also included Deputy Prime Minister and Minister of Economy and Finance Keat Chhon, and Senior Minister and Minister of Commerce Cham Prasidh among others. DPM Keat Chhon explained that Cambodian public opinion used to support the idea of recycling debt payments for assistance programs in Cambodia but had changed recently in favor of debt forgiveness. DPM Hor Namhong informed the delegation that Cambodia's other creditors, including China and the IMF, have written off its debts -- only the U.S. and Russia have yet to do so. All three officials stressed that Cambodia has not made an issue of the millions of tons of U.S. bombs dropped on Cambodian during the U.S. war with Vietnam nor ever requested war repatriations from any country. The delegation noted the need to think of comprehensive and complex solutions to resolve the long-standing debt issue and reiterated their willingness to work with their colleagues in Congress and with the administration to take measures to find a solution.

16. (SBU) Senior Minister Cham Prasidh highlighted the importance of trade with the U.S., particularly garment exports, to the growth of the country's economy and appealed to the delegation to support the TRADE Act to place Asian Least Developed Counties (LDCs) on the same footing as their

African counterparts. (NOTE: The TRADE ACT would extend preferential market access enjoyed by the African Growth and Opportunity Act (AGOA) countries to 14 non-African LDCs by eliminating tariffs on a range of products, including garments and apparel. End Note.) Cham Prasidh complained about the disproportionate tax burden on Cambodian exports to the U.S., explaining that the roughly USD 450 million per year in duty assessed on USD 2.5 billion in garment exports is the equivalent amount paid by both the UK and France (the latter enjoys USD 6 billion in trade volume). He noted that despite his years of lobbying to gain support for the bill and for expansion of the Generalized System of Preferences (GSP) to include garments and textiles, strong opposition to the bill came from the AGOA countries -- which he averred lobbied the Black Caucus in Congress -- together which, he surmised, fear that duty free access for additional LDCs might erode AGOA countries' market share, and from the unions in the U.S. who fear such preferential treatment would affect U.S. jobs. Chairman Faleomavaega suggested that the Asia Pacific Caucus in Congress could engage the Black Caucus to educate its members on the limited impact on the AGOA beneficiaries of extending duty free access to other LDC's. Representative Honda suggested that in addition to lobbying members of Congress on the bill, the RGC should engage the unions in the U.S. to educate them on the improbability of the bill's impact on U.S. jobs.

17. (C) When asked by Chairmen Faleomavaega about the rising influence of China in the region, DPM Hor Namhong replied that China's rise is inevitable and that the best way to cope with this future is to cooperate with China. He noted that China benefits from a large population, a robust economy, a strong army, and significant foreign reserves. He stated that once China acquires superior technology, particularly in the area of advanced military technology, it could become the first superpower; "no one can stop China" he concluded. Senior Minister Cham Prasidh said not to blame Cambodia if they accept assistance from China, "if there is only one big guy offering support, we'll take it," and quipped that if China provides Cambodia with USD 200 million, the U.S. should match funds. But Hor Namhong also stressed the need for the presence of the U.S. in the Asia region to balance China's growing influence and expressed his appreciation of President Obama's new vision and enhanced engagement in the region. The Chairman replied that the U.S. views China as a partner, not a threat, with whom we share common issues that require

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joint cooperation to resolve. Representative Cao stressed the need for the U.S. to be more involved in Asia.

Treatment of Uighur Deportees

18. (C) Congressman Faleomavaega raised with DPM Hor Namhong the summary deportation of 20 Uighur asylum seekers to China under apparent Chinese pressure, including what appeared to some to be the possible withholding of \$1.2 billion in assistance. Noting the potential for some of these deportees to be tortured or executed in China, he urged the Royal Cambodian Government take steps to ensure with China the deported Uighurs would be treated humanely. During this brief aside near the conclusion of the meeting there was no Cambodian response.

Meeting with Opposition Party Leaders

19. (SBU) In a brief meeting with opposition leaders, all three members of the CODEL expressed their desire to see the Human Rights Party and the Sam Rainsy Party join together in a unified opposition coalition. Chairman Faleomavaega asserted that if the combined opposition controlled 30 percent of the vote it was detrimental to "splinter" because that made it difficult for the people to know what the opposition stood for. HRP President Kem Sokha welcomed the

delegation to Cambodia noting that they could now see for themselves the challenges in Cambodia with "power in the hands of one group." The CODEL reminded the veteran opposition politicians that in any competitive democratic environment the party in power always had advantages, which the minority party tried to overcome. MP's Tioulong Saumura and Yim Sovann spoke for the SRP, noting Cambodia's heavy corruption and violations of human rights. Noting lack of media access, Representative Honda said that challengers often had the same complaint in the U.S. system but they still went out to educate the electorate, to "get in touch," and ultimately to increase their electoral share and triumph.

While the CODEL members recognized Cambodia's political flaws and the challenges faced by opposition parties, they agreed with Representative Cao's earnest appeal to the opposition to formulate a coherent plan and act on it with the goal of increasing the electoral base and representing their constituents in the government.

U.S. Presence in Siem Reap Projects

¶10. (SBU) During their first stop in Siem Reap, the CODEL visited the Phnom Bakheng preservation project which is funded by a \$1.5 million grant through the Ambassador's Fund for Cultural Preservation. The World Monuments Fund is managing the project, a complex stone-by-stone waterproofing and rebuilding exercise, and its local representatives briefed the Congressmen on the status of these efforts, the history of the temple and its significance to Khmer history. The delegation dined with Siem Reap Governor Sou Phirin and MFA Secretary of State Ouch Borith and discussed Siem Reap's tourism based economy. The governor noted the strongly cyclical nature of the tourism economy and presented the challenges he faced in raising one of Cambodia's most impoverished provinces to a higher level. The group also toured other U.S. funded initiatives at the Angkor Wat complex before departing for Phnom Penh.

¶11. (C) COMMENT: The CODEL's candid and engaging style and its composition, according to Chairman Faleomavaega, as "the first CODEL composed entirely of Asian American congressmen," reflected its very personal approach to the Cambodian leadership. The fact that Chairman Faleomavaega had previously visited Cambodia was a plus in this context, as many of his interlocutors warmly welcomed his return. The CODEL was also open to candid and compelling discussions on debt and trade, two core issues for the Cambodians which require U.S. Congressional consideration. The CODEL left with more concrete ideas about the desires of the Cambodian leadership on both debt and trade, and how the Congress might work with the Department to meet those needs while serving U.S. national interests. And the Cambodians were left with high expectations that the CODEL would seek to deliver on debt in 2010.

¶12. (U) CODEL Faleomavaega did not have the opportunity to clear this cable.
RODLEY